



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

(801) 538-5340 telephone

(801) 359-3940 fax

(801) 538-7223 TTY

www.nr.utah.gov

Michael O. Leavitt
Governor

Robert L. Morgan
Executive Director

Lowell P. Braxton
Division Director

November 14, 2003

William R. Wilson
Basin Perlite Company
2160 Republic Plaza
370 Seventeenth Street
Denver, Colorado 80202

Subject: Supplemental Reclamation Surety – Pledge and Reclamation Agreement, Basin Perlite Company, Inc., Pearl Queen Mine, M/001/027, Beaver County, Utah

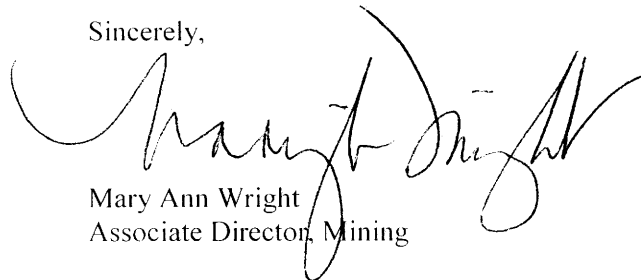
Dear Mr. Wilson:

On November 10, 2003, the Division received a \$26,720 supplemental surety, Certificate of Deposit from Wells Fargo Bank and a signed copy of a Pledge and Reclamation Agreement entered into between Basin Perlite Company and the Division. The Pledge and Reclamation Agreement and new surety are intended to supplement and become part of the existing Reclamation Contract agreement (last revised May 2003).

As you know, the current \$133,600 reclamation surety bond from Kemper Insurance Company/American Manufactures Mutual Insurance Company has fallen significantly below the Division's minimum (A-), A.M. Best standard. Basin Perlite Company was accordingly required to post an alternate surety.

You are hereby notified that these documents will supplement the current Reclamation Contract agreement and be attached as an addendum. If you have any questions or concerns with this action, please contact me at (801) 538-5306, or e-mail me at: maryannwright@utah.gov.

Sincerely,



Mary Ann Wright
Associate Director, Mining

jb

O:\M001-Beaver\M0010027-PearlQueen\final\pledgeagrmt.doc



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November 3, 2003

Wells Fargo Bank, Northwest N.A.
326 South Main Street
Milford, Utah 84751
(435) 387-2489

RECEIVED

NOV - 7 2003

DIV OF OIL GAS & MINING

Attention: Brett Finau, Branch Manager

Subject: Reclamation Surety, Certificate of Deposit for Basin Perlite Company's Pearl Queen Mine Site,
M/001/027, Beaver County, Utah

Certificate of Deposit no. [REDACTED] Principal Amount \$26,720.00.

This letter describes the mutually agreed upon instructions of the below signed parties to Wells Fargo Bank (Bank), regarding the control, redemption, and release of Bank's above-described certificate of deposit (CD), which is being used as a surety to guarantee the availability of reclamation funds for the Pearl Queen Perlite Mine (Mine Site), Beaver County, Utah. It is the intention of the parties that the CD be utilized as surety to guarantee that \$26,720.00 in reclamation funds will be available to the State of Utah, Division of Oil, Gas & Mining (Division) and the United States Department of the Interior - Bureau of Land Management (USDOI - BLM), upon demand in the event that the operator of the Mine Site is unable or unwilling to complete reclamation of the mine site in compliance with applicable state law and regulations.

Ownership and Renewal:

Ownership of the CD is retained by Basin Perlite Company, a Colorado corporation, ("Owner"), but it is held by Bank for the benefit of the State of Utah, Division of Oil, Gas & Mining and the USDOI - BLM and is subject to the terms and conditions described in this agreement. The CD shall automatically renew

indefinitely until either redeemed or released by both the Director of the Division and the authorized officer of the USDOJ – BLM. All interest accrued on this CD will be reinvested into the CD account.

Redemption:

The CD may only be redeemed (i.e., called on demand), pursuant to the written instruction or demand of both the Director of the Utah Division of Oil, Gas & Mining and the authorized officer of the USDOJ – BLM to the Bank. Upon the instruction and demand of the Director and authorized officer of the USDOJ – BLM the full initial amount of the CD plus any accrued interest shall be transferred to the State of Utah, Division of Oil, Gas and Mining. Owner agrees and irrevocably instructs Bank that neither the Owner, nor any other person claiming an ownership interest in the CD which is derived from the Owner, shall have the authority to prevent the Bank from carrying out the Director's instruction to redeem the CD. If a signature card is prepared, it shall be drafted consistent with the requirement that only the Director of the Division and the authorized officer of the USDOJ – BLM may redeem the CD.

Release:

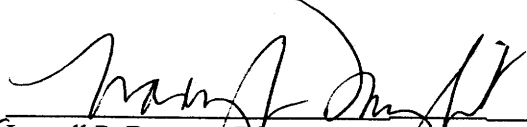
The bank shall release the CD only upon the written instruction of both the Director of the Division and the authorized officer of the USDOJ – BLM to the Bank. Upon release, the terms and conditions of this agreement are no longer in effect, and the unconditioned control of the CD shall be returned to the Owner, or their legal successors-in-interest.

Accrued Interest:

Prior to release or redemption, all interest which accrues by the CD shall be reinvested in the CD account, until such time as the beneficiaries may instruct the Bank where to transfer such interest. In no event shall the Bank transfer any amount from the CD which would cause the redemption amount of the CD to be less than the initial amount, \$26,720.00, plus all accrued interest. All tax liabilities for accrued interest shall remain the sole responsibility of the Owner.

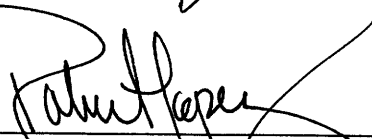
Bank will not be held liable for any dispute between the parties.

Agreed Upon By:


for Lowell P. Braxton, Director
Utah Division of Oil, Gas & Mining



Date:

November 14, 2003


Robert Lopez, Branch Chief of Minerals Adjudication
USDOL, Bureau of Land Management

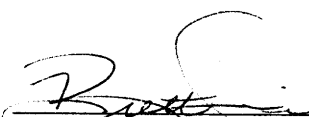
Date:

November 10, 2003


William R. Wilson, President
Basin Perlite Company
Tax ID Number: 

Date:

April 5, 2003


Brett Finan, Branch Manager
Wells Fargo Bank

Date:

11/5/03



Time Account Receipt/Disclosure

Back page

Wells Fargo Bank Northwest, N.A.

Time Account number

Interest rate

Your Time Account will mature on

Interest will be paid

EVERY 03 MONTHS AND AT WITHDRAWAL

The method of interest payment will be

BY ADDING TO PRINCIPAL

Review only

YOU WILL AUTOMATICALLY RENEW MY TIME ACCOUNT
AT MATURITY UNLESS I NOTIFY YOU OTHERWISE.

The Bank is opening the above described Time Account for your deposit of

TWENTY SIX THOUSAND SEVEN HUNDRED TWENTY AND 0/100

Your name and address

BASIN PERLITE COMPANY PERMIT #M001/027, FOR THE BENEFIT OF
THE STATE OF UTAH DNR-DOG and THE USDOT-BLM
370 17TH ST STE 2160
DENVER CO 80202-5601

Date opened

11/10/2003

Interest rate

0.95

Fixed rate

X

Term of Time Account

12 months

Variable rate

0.95

days

Annual percent age yield

Farmer Identification Number (FID)

84-1518463

\$ 26,720.00

11/10/2003 12:49
U9813 02865 Bank# 00119

This is a receipt. It need not be presented at the time you obtain payment from the Bank.

W98168

RECEIVED

NOV 10 2003

DIV OF OIL GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
BOARD OF OIL, GAS & MINING
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84116
(801) 538-5340

PLEDGE, AND RECLAMATION AGREEMENT

This Pledge, and Reclamation Agreement (Agreement) is entered into by and between BASIN PERLITE COMPANY, INC. (Operator) and the STATE OF UTAH, DEPARTMENT OF NATURAL RESOURCES, DIVISION OF OIL, GAS & MINING (Division).

RECITALS

1. Pursuant to the Mined Land Reclamation Act, '40-8-1 et seq., Utah Code Annotated (1953, as amended) (Act) and applicable rules, the Operator has obtained Permit No. M/001/027 (Permit) from the Division of Oil, Gas & Mining to operate mine known as the Pearl Queen Mine in Beaver County, Utah, (Mine Operation).
2. Upon completion of mining or as may otherwise be required pursuant to the requirements of the Act, complete reclamation of the Mine Operation pursuant to the Permit, the Act, the Reclamation Contract, and applicable rules, is required and is essential to prevent conditions detrimental to the general safety and welfare of the citizens of the

State and to provide for the subsequent use of the lands that have been affected by the mining operations.

3. The Division has reviewed the mine operations and determined the Operator's current reclamation obligation for the Pearl Queen Mine Operation to be \$133,600.00

4. The Operator currently has in place a \$133,600.00 surety bond with American Manufacturers Mutual Insurance Company, (Bond I) that provides for reclamation of the Pearl Queen Mine Operations.

5. The rating on Bond I was determined by the Division to be less than the A-standard (under the A.M. Best's Key Rating Guide) as required by the Rules established by the Board of Oil, Gas, and Mining for Reclamation Bonds.

6. On May 19, 2003 the Division advised Basin that it would be allowed 120 days from that date to obtain alternative bonding.

7. The Operator has offered to provide alternative bonding by continuing the existing Bond I and, in addition, establishing an Certificate of Deposit account in the name of the Division to be held for the benefit of the Division as additional security for the performance of the reclamation obligations of the operator; provided that the Certificate of Deposit shall be established in an initial amount of \$26,720.00 and an additional sum of \$26,720.00 to be added annually until the sum of \$133,600. 00 or such amount as the

Division determines to be necessary to satisfy the bonding obligation is held in a certificate of deposit for the benefit of the Division.

8. The Division has determined that continuation of the existing surety and the establishment of the certificate of deposit as proposed will satisfy the bonding obligations of the Operator under the Permit, Reclamation Contract, and the applicable statutes and rules.

9. The parties desire to set forth herein the terms and conditions of this agreement to satisfy the bonding obligations.

NOW, THEREFORE, in consideration, of the mutual obligations set forth herein and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, the parties agree as follows:

1. Operator hereby agrees to complete reclamation of the Mine Operation pursuant to the Permit, the Act, the Reclamation Contract, and applicable rules as they currently exist or as they may be modified hereafter, and to be liable for the costs of such reclamation in event of its failure to satisfactorily complete said reclamation.

2. The release of liability under this Agreement is conditioned upon the successful reclamation of the permit area as provided in the Reclamation Plan for the period of time and in the manner specified in the Act, the applicable rules, and the terms of the Permit.

3. The existing \$133,600.00 surety bond with American Manufacturers Mutual Insurance Company, (Bond I) shall continue and shall remain current during the term of this agreement, and this agreement shall not reduce the obligations of the Surety under BOND I.

4. As an additional surety, the Operator shall establish a certificate of deposit account in the form attached hereto as Exhibit A, and deposit in said account the following amounts that shall be held in the name of the Division and for the benefit of the Division to be used for reclamation as necessary.

- a. The sum of \$26,720.00 shall be deposited not later than November 10, 2003.
- b. The additional sum of \$26,720.00 shall be deposited annually each year for 4 additional years on or before 10th day of November of each year, until the amount deposited is \$133,600.00 or an amount sufficient to fully satisfy the reclamation obligation as determined by the Division.
- c. At such time at the total amount is sufficient to fully satisfy the reclamation obligation as determined by the Division, and with the written consent of the Division, Bond I may be released.

5. The Operator hereby agrees to indemnify and hold the Board and Division harmless from any claim, demand, liability, costs, charge, or suit brought by a third party as a result of the Operator's failure to abide by the terms and conditions of the Reclamation Plan as set forth in the Permit and from any failure to comply with the terms of this Agreement.

6. Upon successful completion of part or all of the reclamation obligations secured hereby, the Operator may request from the Division a final release of part or all of the obligations under this Agreement. Upon such request, the Division shall conduct an inspection to ascertain whether duties and obligations of Basin under the reclamation contract have been satisfied and shall release the amounts held in certificate of deposit account as provided for by this Agreement, the Act, and the applicable rules.

7. The Operator may terminate this Agreement by providing written notice to the Division no less than 120 days prior to the date of termination. The Operator must provide an alternate reclamation surety in a form and amount satisfactory to the Division prior to 30 days before the stated date of termination.

8. If the Operator fails, within the time periods set out in Paragraphs 7 herein, to provide an alternative reclamation surety satisfactory to the Division, the certificate of deposits shall remain in full force and effect and the Division may pursue any available remedies, including, but not limited to: Ordering the operator to cease all operations at the Pearl Queen Mine Operation and initiate and complete all reclamation operations, and forfeiture to the Division of the funds held in certificate of deposit accounts.

9. This Agreement will be governed and interpreted according to Utah law.

10. In addition to any other liability described above, the Operator shall pay reasonable attorney fees and costs incurred by the Division if in any action or suit regarding this Agreement.

11. This Agreement shall be binding jointly and severally upon the Operator and its successors and assigns, including any party who may acquire a material and substantial ownership interest in a major asset or subsidiary entity, or may acquire material and substantial ownership or control of the Operator or a subsidiary entity as a result of a sale, exchange or other transfer of the assets of the Operator, including such transfers as security, foreclosure of security agreements, or other assignment agreements with the Operator. Such assignments of ownership shall include any exchange, sale, other transfer of stocks, bonds, evidences of indebtedness, or other attributes of ownership that materially effect the control and ownership of the corporation, its subsidiaries, or any major mining properties or assets. Any such transfer is subject to the posting of acceptable substitute surety and the applicable statutes and rules of the Division.

EXECUTED BY THE PARTIES intending to be bound hereby on the dates indicated below.

BASIN PERLITE COMPANY, INC.

By William R. Wilson

Name William R. Wilson

November 10, 2003

Date
Title President

STATE OF Utah)
) ss.

COUNTY OF Salt Lake)

On the 10th day of November, 2003, personally appeared before me
William R Wilson, who being by me duly
sworn did say that he/she, the said William R Wilson is the
President of Basin Perlite Company, and that said instrument
was signed in behalf of said corporation by authority of its bylaws or a resolution of
its board of directors.

My Commission Expires:

April 4, 2005

Joelle Burns
Notary Public

Residing at: SLC, UT



DIVISION OF OIL, GAS & MINING

By Lowell Braxton
Lowell Braxton, Director

Nov. 14, 2003
Date

APPROVED AS TO FORM:

Steven F. Alder
Steven F. Alder
Assistant Attorney General
Attorney for Division of Oil, Gas & Mining

Revised by W.R. Wilson to current typographical and formatting errors, 11-4-03.